



中裕燃氣控股有限公司
ZHONGYU GAS HOLDINGS LIMITED

To: Business Editor (For immediate release)

ZHONGYU GAS HOLDINGS LIMITED (STOCK CODE: 8070.HK)

Announces Its Annual Results for the Year Ended 31st December, 2011
Turnover Increased by 53.4% to HK\$1,794,319,000
Net Profit Increased by 277.5% to HK\$86,114,000

ROBUST DOMESTIC MARKET DEMAND DRIVES SIGNIFICANT GROWTH
FAVOURABLE POLICIES PROPEL LONG-TERM DEVELOPMENT

<u>Financial Highlights</u>	For the Year Ended 31st December (HK\$'000)		
	2011	2010	Changes
Turnover	1,794,319	1,169,469	+53.4%
Gross Profit (Gross Margin)	428,595 (23.9%)	314,915 (26.9%)	+36.1%
Adjusted EBITDA	274,541	205,513	+33.6%
Profit Attributable to Owners of the Company	86,114	22,811	+277.5%
Diluted Earnings Per Share (HK\$)	3.77 cents	1.14 cents	+230.7%

(Hong Kong, 14 March 2012) – Zhongyu Gas Holdings Limited (“Zhongyu Gas” or “the Company”, together with its subsidiaries, collectively as the “Group”) (Stock Code: 8070.HK), an early mover in developing a vertically integrated gas operation from upstream resources development to downstream distribution in China, announces its annual results for the year ended 31st December, 2011 (the “Year”).

During the Year, the Group’s turnover increased by 53.4% to approximately HK\$1,794,319,000 from approximately HK\$1,169,469,000 last year. The outstanding growth in turnover was mainly attributable to the robust growth in sales of piped gas, connection revenue from gas pipeline construction and operation of CNG filling stations.

During the Year, gross profit increased by 36.1% to approximately HK\$428,595,000 from approximately HK\$314,915,000 last year. The overall gross profit margin in 2011 amounted to approximately 23.9% (2010: 26.9%). The decrease was mainly due to the increase in the proportion of turnover derived from sales of piped gas, which in general has a relatively lower profit margin, in the Group’s total turnover to approximately 68.6% for the Year from approximately 61.7% in 2010. Besides, the Chinese government increased natural gas wellhead prices in June 2010. The Group was approved to raise its selling prices charged to residential customers until December 2011, which attributed partially to the decrease in the overall gross profit margin.

Excluding impairment loss recognised on other intangible assets and change in fair value of derivative financial instruments, the Group’s adjusted EBITDA for the Year increased by 33.6% to approximately HK\$274,541,000 from approximately HK\$205,513,000 last year. Profit attributable to owners of the Company amounted to approximately HK\$86,114,000 during the Year, representing an increase of approximately 277.5% as compared to approximately HK\$22,811,000 last year.



Business Overview

<u>Sales Breakdown</u>	For the year Ended 31st December (HK\$'000)				
	Turnover			% to Total Sales	
	2011	2010	Changes	2011	2010
Sales of piped gas	1,231,876	721,374	+70.8%	68.6%	61.7%
Gas pipeline construction	394,470	305,205	+29.2%	22.0%	26.1%
Sales of natural gas from compressed natural gas (“CNG”) filling stations	123,373	88,765	+39.0%	6.9%	7.6%
Sales of liquefied petroleum gas (“LPG”)	40,974	38,379	+6.8%	2.3%	3.3%
Sales of stoves and related equipment	3,626	15,746	-77.0%	0.2%	1.3%
Total	1,794,319	1,169,469	+53.4%	100.0%	100%

Downstream Natural Gas Distribution

During the Year, the Group has secured fifteen exclusive projects. Among which, 12 are in Henan Province and 3 are in Shandong Province. The cities in which the Group’s gas projects operate currently have a total connectable central urban population of approximately 3,525,000. It is estimated that there are an aggregate of approximately 992,000 connectable residential households.

Sales of Piped Gas

Sales of piped gas to customers provide the Group with a recurring stream of revenue and it has become the largest component of the Group’s total turnover since 2007 and still the largest one in 2011. During the Year, the Group’s downstream piped gas sales volume reached 544,411,000 m³ (2010: 367,946,000 m³). Nearly 78% of total sales of piped gas for the Year were derived from provision of natural gas.

Gas Pipeline Construction

During the Year, the average connection fees charged to residential households by the Group was approximately RMB2,680 (2010: RMB2,500). As the Group’s downstream gas distribution business is still at the development stage, connection revenue from gas pipeline construction remained a significant component of the Group’s turnover in 2011.

Sales of Natural Gas from CNG Filling Stations

With the aim to enhance the Group’s turnover and results, the Group has commenced to develop CNG vehicle gas filling business in the PRC since September 2007. During the Year, the Group has built four CNG filling stations and they have come into operation. As a result, the number of the Group’s CNG refilling stations increased to nine from five as compared with last year, which are located in Nanjing city and Henan and Shandong Provinces respectively.

In addition, the Group has commenced building six additional CNG refilling stations in the PRC during the Year. It is expected that three new CNG refilling stations will commence their operation by the second half of 2012. The remaining three new CNG refilling stations are expected to commence their operation in early 2013.

Upstream CBM Exploration

During the Year, the Group secured eight coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC to explore, exploit, develop and produce CBM. The exploration of CBM in Henan Province operated smoothly. The dewatering and releasing process of the operating wells are under monitoring and evaluation by professionals. The Group will continue to update investors on the latest exploration progress.



Material Event during the Year

New Gas Project

On 6th May, 2011, Yongcheng China-Gas Heating Explore Company Limited, a non-wholly owned subsidiary of the Company, entered into an agreement with 永城市產業集聚區管委會 (Council of Yongcheng City Industry Cluster) to obtain rights for the construction and operation of piped natural gas projects on an exclusive basis in the new industrial development district located in Yongcheng.

Capital Injection

On 4th November, 2011, Zhongyu (Henan) Energy Holdings Limited (“Zhongyu Henan”), a wholly-owned subsidiary of the Company, entered into an agreement (the “Capital Injection Agreement”) with Zhengzhou Datian Investment Company Limited (鄭州大田投資有限公司) (“Zhengzhou Datian”), 葉建斌 (“Ye Jianbin”) and 卓雲震 (“Zhuo Yunzhen”) in respect of the proposed injection in registered capital of Wuyishan City Zhong Min Natural Gas Company Limited (武夷山市中閩天然氣有限公司) (“Wuyishan Zhong Min”) by Zhongyu Henan. Pursuant to the Capital Injection Agreement, the registered capital of Wuyishan Zhong Min will be increased by RMB29,000,000 from RMB1,000,000 to RMB30,000,000. Among the total increase in the registered capital of Wuyishan Zhong Min, as to RMB15,300,000 will be contributed by Zhongyu Henan in cash, and the remaining RMB13,700,000 will be contributed by Zhengzhou Datian in cash.

After the completion of the Capital Injection Agreement, Wuyishan Zhong Min will be an indirect non wholly-owned subsidiary of the Company. Wuyishan Zhong Min will tender a bid to obtain an exclusive right granted by the Peoples’ Government of Wuyishan City to engage in the construction and operation of piped natural gas projects in Wuyishan City.

The Directors are of the view that entering into the above agreements could provide opportunities for the Group to further invest in the natural gas business in the PRC in order to enlarge the geographical coverage of its operations.

Equity Interest Transfer

On 22nd June, 2011, 泰安市旭升電子科技有限公司 (Taian City Xusheng Electronics Technology Company Limited) and 臨沂中燃城市燃氣建設發展有限公司 (Linyi China Gas City Gas Construction Company Limited), a non-wholly owned subsidiary of the Company, entered into the equity transfer agreement pursuant to which Xusheng has agreed to transfer to Linyi China Gas 33% of the equity interest in 臨沂山林燃氣有限公司 (Linyi Shanlin Gas Company Limited) held by it in accordance with the terms of the Equity Transfer Agreement. Linyi China Gas currently owned as to 67% of the total equity interest in Linyi Shanlin. After completion of equity interest transfer, Linyi China Gas owns the entire equity interest in Linyi Shanlin.

Growth Prospects

The Group is confident in its future prospects as the steady growth of the natural gas market in the PRC is expected to be maintained. The favorable domestic business environment and the growing demand for piped gas consumption arising from progressing urbanization and increasing consumption by automobiles will also serve to drive growth. In the future, the Group will expand its downstream natural gas distribution with a focus on high margin commercial and industrial users and gas refueling stations, with the goal of increasing its penetration rate in the nine cities it is currently operating in.

Under the 12th Five-year Plan (2011-2015) of the PRC, it is expected that the annual domestic gas consumption will reach 260 billion cubic meters (cu m), representing an 8.3 percent share in the primary energy mix in 2015. Currently, gas demand in the PRC just reached approximately 100 billion cubic metres a year. The implementation of beneficial policies by the State and strong economic growth will continuously boost the domestic gas demand and support the steady expansion of the Group’s overall business.

In addition to its vertical integration strategies, the Group is cautiously seeking for suitable investment opportunities. With our healthy financial position, together with the constant cash inflow generated by our downstream projects, we believe that we would be able to strategically increase our market penetration. We



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believe that Zhongyu Gas is well-positioned to capture the opportunities arising from the economic development in the PRC and maximize our shareholders' returns.

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About Zhongyu Gas Holdings Limited (Stock Code: 8070.HK)

Zhongyu Gas Holdings Limited, is an early mover in developing a vertically integrated gas operation from upstream resource development to downstream distribution in China, which is a unique model in the China gas sector. Zhongyu Gas enjoys the exclusive right to develop CBM resources in Henan, a province with proven CBM reserves of approximately 1 trillion m³ (34 trillion ft³). Currently Zhongyu Gas has fifteen exclusive downstream projects, three downstream projects in Shandong province and twelve downstream projects in Henan province. Zhongyu Gas was listed on the GEM board of the Stock Exchange of Hong Kong in 2001.

Company Website: <http://www.zhongyugas.com.cn>

Released by the **Elite Investor Relations Limited** for and on behalf of **Zhongyu Gas Holdings Limited**. For further information, please contact:

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